

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2881 - SB 2980**

March 11, 2012

**SUMMARY OF BILL:** Requires all individual and group health insurance policies that are entered into, delivered, issued, or renewed on January 1, 2013, to include coverage, without prior authorization, for neuropsychological testing for each child diagnosed with cancer to assess the extent of any cognitive or developmental delays due to chemotherapy or radiation treatment. Requires the Commissioner of Finance and Administration to take necessary action to amend the state plan waiver to provide coverage for neuropsychological testing for each child diagnosed with cancer on or after January 1, 2013, who is covered by TennCare.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$60,900/FY12-13**

**\$121,700/FY13-14 and Subsequent Years**

**Increase Federal Expenditures – \$119,100/FY12-13**

**\$238,300/FY13-14 and Subsequent Years**

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111):** Such legislation may result in an increase in the cost of health insurance premiums for additional tests performed on children with cancer. It is estimated that the increase to each individual's total premium will be less than one percent. A one percent increase in premium rates will range between \$50 (single coverage) and \$140 (family coverage) on average depending on the type of plan.

**Assumptions:**

- According to the Department of Commerce and Insurance, any additional form filings and complaints that are received can be handled utilizing existing resources.
- According to the Department of Finance and Administration, neuropsychological testing is authorized for benefits by the state sponsored public sector plans in instances where the cancer or cancer treatment has caused a neurological condition or disease when the conditions meet established medical necessity criteria.
- A review of claims records for 2008, 2009, and 2010 indicated that 0.02 percent of children under the age 26 had a diagnosis of cancer and also received chemotherapy or

radiation each year. This would result in approximately 17 members each year that would be subject to the neuropsychological testing (86,212 current members under age 26 x 0.02%).

- Based on claims data, the average cost for similar neuropsychological testing is approximately \$592. The estimated increase in plan costs are \$10,064 (17 members x \$592). According to the Department of Finance and Administration, annual benefits paid by the three health plans, the State, Local Education, and Local Government Health Plans, exceed \$1.3 billion. The additional expense will not have a significant impact on plan expenses or the premiums required to support the payment of claims.
- The provisions of the bill exempt the TennCare program and also require the Commissioner of Finance and Administration to seek a federal waiver to provide the testing to TennCare enrollees. It is assumed that TennCare will have to provide this testing.
- According to the Bureau of TennCare, neuropsychological testing requires prior authorization by managed care plans because it is used to assess educational difficulties and such educational testing is excluded under the TennCare program.
- Currently, TennCare covers approximately 750,000 children under the age of 21. The prevalence for cancer varies by age range, but based on data from the National Cancer Institute, the overall prevalence of 0.1 percent is being applied for the purposes of this analysis.
- It is estimated that TennCare covers approximately 750 children with cancer (750,000 x 0.1%).
- According to the Bureau of TennCare, neuropsychological testing is generally reimbursed based on hours of time for psychologists performing and interpreting these tests. TennCare estimates testing and interpretation to be 7 to 10 hours in duration at an average rate of \$100 per hour. The average rate of \$800 is being used for this analysis.
- It is estimated that for 20 percent, or 150 (750 x 20.0%) children, it would be found medically necessary today, after prior authorization, to receive the testing.
- Of the remaining 600 children, some portion will be too young for testing (pre-verbal) and others may be too ill or will not seek testing. For the purposes of this analysis, it is estimated that 75 percent, or 450 (600 x 75.0%) children will require testing.
- The total increase to TennCare will be \$360,000 (450 children x \$800). Of this amount, \$121,723 is state funds at a rate of 33.812 percent and \$238,277 is federal funds at a match rate of 66.188 percent.
- The provisions of the bill will apply to children who are diagnosed with cancer on or after January 1, 2013. The FY12-13 impact is estimated for a six-month period. The increased expenditures for FY12-13 are \$60,861.50 (state) and \$119,138.50 (federal).
- Private sector health insurance premium impact: The provisions of the bill may result in an increase in the number of tests provided to children with cancer. Health insurance premiums may increase to cover the costs of the additional testing. Based on the information provided by the Department of Finance and Administration and the implications of the mandate on the state sponsored health plans, it is estimated that the increase to each individual's total premium will be less than one percent. Based on a 2011 report by the Fiscal Review Committee staff, a one percent increase in premium rates will range between \$50 (single coverage) and \$140 (family coverage) on average depending on the type of plan.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/kml